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DIRECTORATE OF
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Intelligence Report

Weekly Report

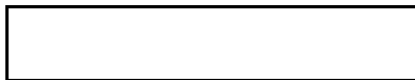
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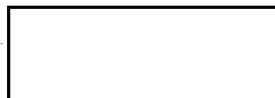
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1. UK - SOUTH ARABIA

The British may decide there is no point in their staying on in South Arabia until January, or in delivering the promised postindependence military assistance to an area so likely to come under Egyptian influence.

London is making one last effort to overcome Adeni nationalist hostility to federation with the feudal sheikdoms and to bring some nationalist leaders into a new government. This difficult task is complicated by increased anti-British feeling following the Arab-Israeli war; by the nationalists' occupation of Aden's Crater district and the fight for control within the Crater between rival nationalist groups; and by feuding among the tribes who furnish most of the army on which any federal government must depend. Even if some nationalist and dissident army leaders take the risk of entering a British-backed government, they are unlikely to be able to control the various disputing elements.

The signs point to chaos after independence, with Egypt possibly backing the nationalists' fight to free "South Yemen" from what they claim is a British puppet government. If the present government-making effort fails, London may conclude there is little it can do by staying on.

Britain may not even be able to make an orderly retreat. Most British troops have been withdrawn from upcountry stations, and it may be difficult to extricate the remaining contingents.

Splits in the federal army may prevent its orderly take-over of internal security responsibilities from the British in Aden. Accelerated departure of British dependents will somewhat lighten the British Army's load, but increased terrorism and the threat to British oil storage areas point to a rough period.

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2. BURMA - COMMUNIST CHINA

The current crisis in Sino-Burmese relations seems likely to cause considerable soul searching in Rangoon. The result could be some modification of the Ne Win regime's international outlook, particularly with regard to its carefully neutralist attitude toward Communist China.

Top Burmese leaders have been uneasy over the implications of China's Cultural Revolution for Burma's national security. The efforts of Chinese Communist Embassy personnel to spread the gospel of Mao's thought among Burma's resident Chinese can only reinforce Rangoon's fears of Chinese meddling.

Although Burma will wish to restore amicable relations with China and to maintain its traditional policy of nonalignment, current strains may provide it with an added incentive to improve its tenuous ties with major Western countries. Burmese officials earlier this year made exploratory inquiries about the purchase of US military equipment, and burgeoning economic problems have already led some leaders to consider asking economic assistance from the US or the UK.

The sharp deterioration in Sino-Burmese relations and the severe test this poses for Burma's policy of maintaining a delicate balance in dealing with the East and the West could bring about increased tensions within the Rangoon regime. These tensions would be heightened if the downward trend of the economy cannot be arrested and if public disillusionment over domestic and foreign policies grows.

The Chinese Communists, for their part, probably did not intend to provoke a crisis with Burma. Their strong reaction to the anti-Chinese rioting in Rangoon, however, almost certainly will preclude a return to Peking's earlier tolerant attitude toward the Ne Win regime. Any move by Rangoon away from its traditional neutrality would increase the estrangement.

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